CONSOLIDATED FINANCIAL REPORT

FOR THE YEARS ENDED
MAY 31, 2015 AND 2014

MANAGEMENT'S REPORT

The audited consolidated financial statements of ZoomMed Inc. for the fiscal year ended May 31, 2015 and all information contained in this annual report are the responsibility of Management and have been approved by the Board of Directors.

The audited consolidated financial statements were prepared by Management in accordance with Canadian generally accepted accounting principles, including the International Financial Reporting Standards "IFRS". The audited consolidated financial statements are consistent with the Company's business.

Given the September 2, 2014 transaction with Telus Health, the Company discontinued operations in a geographical area. In accordance with this transaction, the Company has retained its exclusive intellectual property rights of the ZRx Prescriber for the United States and the United Kingdom and Telus Health, for its part, holds the exclusive intellectual property rights of the ZRx Prescriber for Canada.

Under IFRS 5, the Company must present and provide information in order to evaluate the financial effects of discontinued operations in a geographical area.

We invite you to read the note 4 simultaneously with the consolidated statement of net and comprehensive income.

The Company complies with its TSX Venture Exchange listing agreement. The Company maintains rigorous systems of internal accounting and administrative controls to provide reasonable assurance that the financial information is relevant, reliable and accurate and that the assets are correctly accounted for and protected.

Every year the Board of Directors appoints an Audit Committee composed of a majority of directors who are neither company directors nor employees. The Audit Committee meets periodically with Management and the independent auditors to review their tasks and discuss the audit, accounting policies and related financial matters. The results of their audit are discussed as well. The Audit Committee also reviews the financial statements, receives the independent auditors' report and recommends their approval by the Board of Directors.

The consolidated financial statements have been audited by Mazars Harel Drouin, LLP, Chartered Accountants, whose report follows.

September 18, 2015

(Signed) Yves Marmet

Yves Marmet,
President and Chief Executive Officer

CONSOLIDATED FINANCIAL REPORT
AS AT MAY 31, 2015 AND 2014

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INDEPENDENT AUDITORS' REPORT

To the Shareholders of
ZOOMMED INC.

We have audited the accompanying consolidated financial statements of **ZOOMMED INC.**, which comprise the consolidated statements of financial position as at May 31, 2015, and May 31, 2014, the consolidated statements of net income and comprehensive income, changes in equity and cash flows for the years then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained in our audit is sufficient and appropriate to provide a basis for our audit opinion.

MAZARS HAREL DROUIN, LLP

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CHARTERED PROFESSIONAL ACCOUNTANTS

Praxity MEMBER
GLOBAL ALLIANCE OF INDEPENDENT FIRMS

Opinion

In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of **ZOOMMED INC.** as at May 31, 2015, and May 31, 2014, and its financial performance and its cash flows for the years then ended, in accordance with International Financial Reporting Standards.

Observations

Without qualifying our opinion, we draw attention to Note 2 of the consolidated financial statements which indicate that the Company must commercialize its technology outside Canada and sell certain assets during the next year to continue its activities. This condition indicates the existence of a material uncertainty that may cast significant doubt about the Company's ability to continue as a going concern.

Mazars Harel Drouin, LLP [1]

Montréal, September 18, 2015

1. CPA auditor, CA, public accountancy permit No. A108185

CONSOLIDATED STATEMENTS OF FINANCIAL POSITION
AS AT MAY 31, 2015 AND MAY 31, 2014

	2015	2014
	$	$
ASSETS		
Current assets		
Cash and cash equivalents	574,273	159,921
Receivables (Note 8)	331,908	668,202
Prepaid expenses	19,202	19,236
	925,383	847,359
Non-current assets		
Fixed assets (Note 9)	4,885	24,365
Intangible assets (Note 10)	1,035,619	894,415
Total assets	1,965,887	1,766,139
LIABILITIES		
Current liabilities		
Payables (Note 14)	512,637	1,273,911
Deferred revenue	-	734,864
Non-convertible debenture (Note 15)	-	1,783,457
Short-term debt (Note 16)	-	377,856
	512,637	4,170,088
Non-current liabilities		
Lease inducement	-	3,593
Provision for loss-making contracts (Note 5)	30,009	-
Total liabilities	542,646	4,173,681
SHAREHOLDERS' EQUITY		
Share capital (Note 19)	25,509,437	25,509,437
Contributed surplus	6,635,055	6,568,175
Deficit	(30,721,251)	(34,485,154)
Total equity	1,423,241	(2,407,542)
Total liabilities and equity	1,965,887	1,766,139

ON BEHALF OF THE BOARD OF DIRECTORS

(Signed) Yves Marmet, Chairman of the Board and Chief Executive Officer

(Signed) Marie-Hélène Pinard, Director and Chief Financial Officer

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY
FOR THE YEARS ENDED MAY 31, 2015 AND MAY 31, 2014

	Share capital	Equity component of convertible debenture	Equity component of non-convertible debenture	Contributed surplus	Deficit	Total
	$	$	$	$	$	$
Balance as at June 1, 2013	25,438,120	65,686	-	6,502,489	(29,850,226)	2,156,069
Net result	-	-	-	-	(4,634,928)	(4,634,928)
Repayment of the convertible debenture	-	(65,686)	-	65,686	-	-
Non-convertible debenture	-	-	45,878	-	-	45,878
Issuance of bonus shares (Note 15)	45,878	-	(45,878)	-	-	-
Issuance of shares (Note 19)	25,439	-		-	-	25,439
Balance as at May 31, 2014	25,509,437	-	-	6,568,175	(34,485,154)	(2,407,542)
Net result	-	-	-	-	3,763,903	3,763,903
Fair value of stock options granted (Note 20)	-	-	-	66,880	-	66,880
Balance as at May 31, 2015	25,509,437	-	-	6,635,055	(30,721,251)	1,423,241

	2015	2014
	$	$
CONTINUING OPERATIONS		
REVENUE		
Gain on disposal of intangible assets	-	500,000
OPERATING EXPENSES (Note 17)		
Selling expenses	135,772	135,152
Administrative expenses	1,019,660	648,083
General operating expenses	205,446	101,535
Development cost	343,383	1,318,026
Financial expenses	8,493	5,501
Impairment of intangible assets (Reversal of impairment loss) (Notes 11 et 12)	(219,377)	1,146,167
	1,493,377	3,354,464
LOSS BEFORE PROPORTIONATE SHARE IN JOINT VENTURE	(1,493,377)	(2,854,464)
Proportionate share of the joint venture's net results (Note 13)	-	(979,858)
LOSS BEFORE INCOME TAXES	(1,493,377)	(3,834,322)
Income taxes recovery from continuing operations loss (Note 25)	(349,003)	-
Income taxes recovery from previous years' loss (Note 25)	(409,997)	-
Net loss from continuing operations	(734,377)	(3,834,322)
Net profit (Net loss) from discontinued operations in a geographical area (Note 4)	4,498,280	(800,606)
NET RESULT AND COMPREHENSIVE INCOME	3,763,903	(4,634,928)
Basic and diluted net result per share from continuing operations	(0.005)	(0.029)
Basic and diluted net and comprehensive result per share	0.028	(0.035)
WEIGHTED AVERAGE NUMBER OF OUTSTANDING COMMON SHARES	135,591,268	132,454,939

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE YEARS ENDED MAY 31, 2015 AND MAY 31, 2014

	2015	2014
OPERATING ACTIVITIES	$	$
Consolidated net and comprehensive income	3,763,903	(4,634,928)
Net result from discontinued operations in a geographical area	(4,498,280)	800,606
Net result from continuing operations	(734,377)	(3,834,322)
Amortization	117,640	663,491
Proportionate share of profit and loss in joint ventures (Note 13)	-	979,858
Stock-based compensation	66,880	-
Loss on disposal of fixed assets	3,929	461
Gain on disposal of intangible assets	-	(500,000)
Asset impairment	816,242	1,146,167
Reversal of impairment of an intangible asset	(1,035,619)	-
Net result from discontinued operations	4,498,280	(800,606)
Amortization	1,580	66,155
Interest on debenture	14,505	77,635
Operating expenses paid in shares	-	25,439
Exchange rate variation	36,211	87,437
Gain on disposal of fixed assets	9,522	(4,584)
Gain on disposal of intangible assets	(5,990,591)	-
Lease inducements	-	(1,106)
Provision from loss-making contracts	30,009	-
	(2,165,789)	(2,093,975)
Net change in non-cash operating working capital items	(1,063,198)	1,016,798
Cash flows used in operating activities	(3,228,987)	(1,077,177)
FINANCING ACTIVITIES		
Continuing operations		
Net proceeds from non-convertible debenture	-	212,085
Short-term debt	-	377,856
Discontinued operations in a geographical area		
Repayment short-term debt	(377,856)	-
Repayment of the convertible debenture	(1,834,173)	-
Cash flows used in (from) financing activities	(2,212,029)	589,941
INVESTING ACTIVITIES		
Continuing operations		
Acquisition of fixed assets	(2,812)	(14,155)
Proceeds from disposal of fixed assets	-	5,734
Acquisition of intangible assets	(32,499)	(243,664)
Dividends from a joint venture	-	33,418
Gain on disposal of intangible assets	-	500,000
Discontinued operations in a geographical area		
Proceeds from disposal of fixed assets	292	-
Proceeds from disposal of intangible assets	6,330,656	-
Transaction fees	(440,269)	-
Cash flows from investing activities	5,855,368	281,333
NET CHANGE IN CASH AND CASH EQUIVALENTS	414,352	(205,903)
CASH AND CASH EQUIVALENTS, BEGINNING OF YEAR	159,921	365,824
CASH AND CASH EQUIVALENTS, END OF YEAR	574,273	159,921

Cash flows used in operating activities include interest expenses of $126,006 for fiscal year 2015 ($263,900 in 2014).

1. GENERAL INFORMATION

ZoomMed Inc. (“ZoomMed”) was incorporated under the Canada Business Corporations Act on February 24, 2005.

ZoomMed Inc. and its subsidiaries (the “Company”) are committed to the development and the marketing of a broad range of computer applications designed for healthcare professionals.

The Company has developed the “ZRx Prescriber”, a technological innovative Web application that enables physicians to quickly generate prescriptions on their computer, tablet or smartphone. Since it is a stand-alone product, it can easily be integrated to any Electronic Medical Record application (EMR). ZoomMed’s communication network is a clinical information exchange platform between physicians and the various other stakeholders of the healthcare sector, such as pharmacists, specialists, pharmaceutical corporations, private insurers, laboratories, specialized clinics and others. This network includes among others, the "ZRx Access" platform that allows bidirectional exchange of prescription information between physicians and pharmacists, as well as "ZRx benefits" for the transmission of certain insurance plans information from insurance companies, in order to inform physicians about their patient’s type of coverage when they write the prescription.

The Company also owns “PraxisLab”, a new pharmacy management software that enhances all aspects of the prescription filling process and the complete pharmacists patient file management. PraxisLab uses state-of-the-art protocols and up-to-date software standards.

On September 2, 2014, the Company sold the technology of its ZRx Prescriber in the Canadian market to Emergis Inc., group member of Telus Health Solutions "Telus Health" and 50% of intellectual property rights worldwide, except in Canada, the United States and the United Kingdom (Note 4).The Company will continue marketing this product for international markets, specifically the United States and the United Kingdom.

In 2011, the ZRx Prescriber was certified by "Surescripts", the largest national health network in the United States. Thus, the ZRx Prescriber is already connected to more than 60,000 pharmacies and to the majority of insurers and drug payers in the market.

In April 2013, the Company entered into an exclusive licensing agreement for the distribution rights, licensing and sublicensing of the ZRx Prescriber in the United States with EvEMR Inc. This agreement was terminated by the Company, no later than December 30, 2014, due to numerous important deficiencies regarding the terms of this licensing agreement from EvEMR Inc. Thus far, the Company holds all distribution rights, licensing and sublicensing of the ZRx Prescriber for the American market.

Since the Company already spent a lot of time and efforts to develop the American market, its short-term business plan is to carry on its expansion in this market and then access the United Kingdom market.

ZoomMed Inc. common shares are trading on the TSX Venture Exchange under ZMD symbol.

The Company’s registered head office is located at 6300 Auteuil Avenue, Suite 121, Brossard, Québec, Canada, J4Z 3P2.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”).

These consolidated financial statements have been approved by the Board of Directors on September 18, 2015.

These consolidated financial statements have been prepared in accordance with a going concern. Under the going concern assumption, a Company is viewed as being able to continue its operations in the foreseeable future, and realize its assets and discharge its liabilities in the normal course of operations.

2. BASIS OF PRESENTATION OF FINANCIAL STATEMENTS (CONT.)

The continuity of the Company's business depends on its abilities to market its technology outside of Canada. It is not possible to predict, at this point, whether these will materialize.

The consolidated financial statements do not reflect adjustments that should be made to the book value of assets and liabilities in the case where the Company would be unable to realize its assets and discharge its liabilities in the normal course of operations.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of measurement

These consolidated financial statements have been prepared under the historical cost convention, except for other measurement bases, as indicated in the related notes.

Consolidation

The consolidated financial statements include the accounts of ZoomMed Inc. and its subsidiaries ZoomMed Médical Inc., Praxis Santé Inc. and ZoomMed USA Inc. All intercompany balances and transactions are eliminated upon consolidation.

As at December 14, 2014, the Company carried out a corporate reorganization in order to consolidate its assets by carrying out the liquidation of Praxis Santé Inc. in 9205-1051 Québec Inc. and merging the companies 9205-1051 Québec inc. and ZoomMed Medical Inc. into one corporation operating under the name of ZoomMed Medical Inc.

Revenue recognition

In general, revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the amount can be measured reliably. Revenue comprises the fair value of the consideration received or receivable for services in the ordinary course of the Company’s activities.

Revenue derived from annual contracts, related to ZoomMed’s communication network, is recognized using the straight-line method over the duration of the agreements. As provided in these contracts, payments received in advance are recorded as deferred revenue in the consolidated statements of financial position, and then, as operating revenue as the service is rendered.

Licensing revenue is recognized when the contract is signed.

Interest revenue is recorded on a fiscal year basis according to the effective interest rate method.

Financial Instruments

Financial assets and financial liabilities are initially recognized at fair value and their subsequent measurement is dependent on their classification as described below.

Their classification depends on the purpose aimed for when the financial instruments were acquired or issued, their characteristics and their designation by the Company. Settlement date accounting is used.

All financial assets, except those designated at fair value through profit or loss, are subject to an annual impairment test and written down when there is an indication of impairment. The impairment loss is the excess of the carrying value over fair value and is recorded in the consolidated statements of net income and comprehensive income.

The classification and measurement of the Company's financial instruments are determined as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Financial assets at fair value through net results – All instruments included in this category meet the definition of financial assets held for trading. Financial instruments held for trading are instruments that are held for the purpose of selling in the short term. Instruments in this category include cash and cash equivalents. They are measured initially and subsequently at fair value and changes in fair value are recognized in the consolidated statements of net and comprehensive income in financial income or financial expenses in the period in which they occur. The directly attributable transaction costs are recognized in net and comprehensive income.

Loans and receivables - Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. The Company includes accounts receivable and contingent consideration receivable in this category. Financial instruments included in this category are initially recognized at fair value plus directly attributable transaction costs. Subsequently, loans and receivables are measured at amortized cost using the effective interest method.

Other liabilities - Financial instruments included in this category are initially recognized at fair value and transaction costs are deducted from the fair value. Subsequently, other liabilities are measured at amortized cost. The Company includes accounts payable, as well as the liability component of non-convertible debenture and short-term debt in this category.

Compound instruments - The components of compound instruments issued by the Company are classified separately as financial liabilities and equity in accordance with the contractual agreement. At the date of issue, the fair value of the liability component is estimated using the market interest rate then in effect for a similar convertible instrument. This amount is recorded as a liability, at amortized cost, using the effective interest rate method until its expiry at the time of conversion or maturity of the instrument. The equity component is determined by deducting the amount of the liability component of the total fair value of the compound instrument. This amount is recognized in equity, net of income tax effects, and is not subsequently remeasured. Transaction costs related to the issuance of the convertible debenture are allocated to the liability and equity components in proportion to their initial carrying amounts. Transaction costs related to the equity component are recognized directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortized over the life of the debenture using the effective interest method.

Cash and cash equivalents

Cash and cash equivalents consist of cash in hand, bank balances, short-term liquid investments with maturities of less than three months and bank overdrafts, if any, which are classified as a category at fair value through net result.

Interest in joint ventures

The Company has joint control of separate entities when it is entitled to participate to the entities' financial and operating strategic decisions, which exists only when these decisions require the unanimous consent of the parties sharing control. The Company recognizes its interest in jointly controlled entities using the equity method. The equity method is a method of accounting whereby the investment is initially recognised at cost and adjusted thereafter for the post-acquisition change in the investor's share of the joint venture's net assets.

On acquisition of the participating interest, any difference between the cost of the participating interest and the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities is accounted for as follows:

a) Goodwill relating to the entity is included in the carrying amount of the participating interest.

b) Any excess of the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the Company's proportionate share of the entity's profit or loss in the period in which the participating interest is acquired.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

The participating interest in the net income of the entities is recognized in the consolidated statements of comprehensive income. When the Company's proportionate share of the net fair value of the entity's identifiable assets and liabilities is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. The unrealized gains and losses resulting from transactions between the Company and its jointly controlled entities are eliminated to the extent of the Company's interest in the joint ventures.

Assets held for sale and discontinued operations

Assets and liabilities held for sale are not amortized anymore and are reported separately in the consolidated statement of financial position, for an amount representing the lowest value between their book value and fair value, less costs of the sale. An asset is considered as held for sale when its carrying value will be recovered mainly through a sale transaction, rather than through continuing use. In order for the sale to be classified as such, the asset must be available for immediate sale and its sale must be highly probable.

A discontinued operation represents a separate major line of business or geographical area of operations that either has been disposed of, or is classified as held for sale. Consolidated statement of financial position items relating to these discontinued operations are presented on specific lines of the annual consolidated financial statements. Comprehensive income items related to these discontinued operations are presented separately in the consolidated financial statements for all fiscal years presented if they are of significance to the Company.

Fixed assets

Fixed assets are initially recorded at cost, including acquisition fees and all the preparation fees directly related to the asset before it can be used, less related research and development investment tax credits. Subsequent to the initial measurement, fixed assets are recorded at cost, less accumulated amortization and depreciation.

Amortization is recognized on a straight-line basis, in line with the assets useful life, as follows:

	Method	Periods
Furniture	Straight-line	5 years
Computer equipment	Straight-line	3 years
Computer equipment for ZRx Prescriber	Straight-line	3 years
Leasehold improvements	Straight-line	5 years

The Company allocates the amount initially recognized in respect of a fixed asset to its significant parts and depreciates separately each such part. Residual values, method of amortization and useful life of the assets are reviewed annually and adjusted if appropriate.

Gains and losses on disposals of fixed assets are determined by comparing the proceeds with the carrying amount of the asset and are included as part of other gains and losses in the consolidated statements of net income and comprehensive income.

Intangible assets

The Company's intangible assets include Website, intellectual properties, licenses and rights, development costs and software with finite useful lives. These assets are capitalized and amortized on a straight-line basis in the consolidated statements of comprehensive income over the period of their expected useful life as follows:

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

	Periods
Website	3 years
Software	2 years
Intellectual properties	10 years
Licenses and rights	3 years
Development costs	3 years

Expenses related to development activities, which do not meet generally accepted criteria for deferral and research activities, are expensed as incurred. Development expenses, which meet generally, accepted criteria for deferral are capitalized and amortized against income over the estimated period of benefit.

The ZRx Prescriber intellectual property is recorded at cost and is amortized over a ten-year period from the marketing date of the product, which is November 2006. On September 2, 2014, following the sale of the operating rights in the Canadian market, an impairment for the total net value was recorded (Note 12). The PraxisLab intellectual property is recorded at cost and is amortized over a ten-year period from the date of acquisition and as at May 31, 2014, a depreciation for the total net value of intellectual property has been recorded. As at May 31, 2015, a reversal of impairment of PraxisLab intellectual property was recorded (Note 11).

The ZRx Prescriber development costs, which include the development of ZoomMed's communication network and the additional new functionalities, according to future economic benefits, are amortized using the straight-line method over a three-year period from the implementation date of the product. As at May 31, 2014, an impairment for the entire PraxisLab development costs was recorded. As at May 31, 2015, a reversal of impairment of PraxisLab development costs was recorded (Note 11).

Exchange of assets

Intangible assets acquired through an exchange against one or more non-monetary assets are measured at fair value, unless the exchange transaction has no commercial substance or if it is not possible to assess reliably neither the fair value of the asset received nor the asset given up. If the acquired asset is not measured at fair value, its cost is measured at the carrying value of the asset given.

Research and development tax credits

The Company is entitled to scientific research and development tax credits. Tax credits are accounted for using the cost reduction method. Accordingly, tax credits are recorded as a reduction of the related expenses or capital expenditures in the period in which those expenses are incurred, provided there is reasonable assurance that the credits will be realized.

Impairment of long-term non-financial assets

Non-current assets with indefinite useful lives are not amortized and are tested for impairment annually. Non-current assets with a finite useful life are assessed for impairment whenever events or changes in circumstances indicate that the carrying amounts of the assets may not be recoverable. Management is required to asses at each reporting date whether there is any indication that an asset may be impaired. Where such an indication exists, the asset's recoverable amount is compared to its carrying value and an impairment loss is recognized for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purpose of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows or cash-generating units ("CGU").

In determining value in use of a given asset or CGU, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Non-current assets with finite useful life that suffered impairment are reviewed for possible reversal of the impairment if there has been a change, since the date of the most recent impairment test, in the estimates used to determine the impaired asset's recoverable amount. However, an asset's carrying amount, increased due to the reversal of a prior impairment loss, must not exceed the carrying amount that would have been determined, net of depreciation or amortization, had the original impairment not occurred.

Lease inducements

The lease inducements include the difference between the rental expense apportioned over the lease term according to a systematic formula and the minimum lease payment, considering the inducements.

Operating Leases

Leases under which the lessor retains substantially all the risks and rewards of ownership are classified as operating leases. Payments under an operating lease (less benefit received from the lessor) are recognized in the consolidated statements of net and comprehensive income on a straight-line basis over the lease term.

Provisions

Nature of provisioned liabilities
In accordance with IAS 37 Provisions, Contingent Liabilities and Contingent Assets, provisions for risks and expenses are recognized to cover probable outflows of resources that can be estimated and that result from present obligations resulting from past events. In the case where a potential obligation resulting from past events exists, but where occurrence of the outflow of resources is not probable or the estimate is not reliable, these contingent liabilities are disclosed in off-balance sheet commitments and litigation. The provisions are measured based on management's best estimate of net income based on facts known at the reporting date. The provisions include provisions for litigation (tax, legal, employee-related), for returns, for the environment and for loss-making contracts. Litigation is kept under regular review, on a case-by-case basis, by the Company's legal department with the assistance of outside counsel for more significant or complex disputes. A provision is recorded when it becomes probable that a present obligation arising from a past event will require an outflow of resources that can be reliably estimated. The amount of the provision is the best estimate of the outflow of resources required to settle this obligation.

Shareholders' equity

Common shares are classified as equity and are recorded in the Shareholders' Equity at their issuance value. Incremental costs directly attributable to the issuance of shares and stock options are shown in equity as a deduction (as a deficit increase) net of tax from the proceeds. Transactions with shareholders are shown separately in equity.

Income taxes

Income taxes are accounted for, by the Company, based on the consolidated statements of financial position method. Accordingly, future income tax assets and income tax liabilities are measured using the income tax rates that are most likely to apply during the fiscal year where the asset is realized or the liability is settled, based on the income tax rates (and tax regulations) adopted or nearly adopted as at the reporting date. As appropriate, a valuation allowance is recognized to decrease the value of future tax assets to an amount that is more likely than not to be realized.

Employee's benefits

Wages, contributions to government pension plans, paid vacations and sick leaves, bonuses and non-monetary benefits are short-term benefits and are recognized over the period during which the employees of the Company have rendered the related services.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Stock-based compensation

The Company offers a stock-based compensation plan. The Company uses the fair value based method of accounting as regards to stock options granted to its Officers, Directors, Employees and Consultants. The fair value of stock options is determined using the Black-Scholes option pricing model, and the stock-based compensation costs are recorded in the consolidated statements of net and comprehensive income at the granted date and credited to contributed surplus. Any consideration received by the Company in connection with the exercise of stock options is credited to share capital and contributed surplus component of the stock-based compensation is transferred to share capital upon the issuance of shares.

Accounts denominated in foreign currencies

Presentation currency and foreign currency operations – The Canadian dollars is the Company's presentation currency, which is also the Company's functional currency. Foreign currency transactions are translated into the functional currency environment in which the entity operates using the exchange rates prevailing at the dates of the transactions. Assets and liabilities denominated in foreign currencies at the closing date are converted into functional currencies at the exchange rates prevailing at that date. All resulting changes are recognized in the profit or loss, except monetary items included into foreign institution net investment.

Foreign institutions - Foreign institutions' assets and liabilities denominated in functional currencies other than Canadian dollars are converted into Canadian dollars using the exchange rates prevailing at the closing date. Foreign institution revenue and expenses are converted into Canadian dollars using the exchange rates prevailing at the date of the transaction. Shareholders equity is converted at the original effective rate prevailing at the closing date. All resulting changes are recognized in other comprehensive income until the net investment is disposed of, or reclassified in the profit or loss. Since the transition date, no such resulting change was recorded as foreign institutions conversion adjustments.

Basic net earnings and diluted per share

Basic net earnings and diluted per share are calculated using the weighted average number of outstanding common shares during the fiscal year. The Company uses the treasury stock method to determine the dilutive effects of stock options and warrants when cumulating diluted earnings per share. Accordingly, the calculation of diluted earnings per share is made using the treasury stock method, as if all potentially dilutive participating shares had been exercised at the later of the beginning of the period or the date of issuance, as the case may be, and that the funds obtained thereby had been used to purchase common shares of the Company at the average market value of the common shares during the period.

When funds are received, at the date of issuance of dilutive instruments, the net amount is adjusted net of tax expenses related to these instruments.

Diluted net earnings per share from continuing operations is the same as basic net earnings per share due to the anti-dilutive effect of stock options and warrants when the Company suffers losses and / or the stock options and warrants are issued at a premium to the average market price.

Adoption of new accounting policies

IAS 32 Financial Instruments: Presentation
In December 2012, the International Accounting Standards Board (IASB) amended IAS 32 to address inconsistencies identified in applying some of the offsetting criteria. The amendments clarified the meaning of the offsetting criterion "currently has a legally enforceable right to set off" and the principle behind net settlement, including identifying when some gross settlement systems may be considered equivalent to net settlement. The retrospective application of these amendments had no impact on the Company's profit or loss or financial position.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

IAS 36 Impairment of Assets
The standard has been revised to incorporate amendments issued by the IASB in May 2013. These amendments more accurately reflect the IASB's previous decision to require the disclosure of the recoverable amount of impaired assets as well as additional disclosures about the measurement of the recoverable amount of impaired assets when the recoverable amount is based on fair value less costs of disposal, including the discount rate when a present value technique is used to measure the recoverable amount. The retrospective application of these amendments had no impact on the Company's profit or loss or financial position.

IAS 39 Financial Instruments: Recognition and Measurement
The standard has been revised to incorporate amendments issued by the IASB in June 2013. The amendments clarify that novation of a hedging derivative to a clearing counterparty as a consequence of laws or regulations or the introduction of laws or regulations does not terminate hedge accounting. The retrospective application of these amendments had no impact on the Company's profit or loss or financial position.

Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27)
IASB issued amendments in October 2012 to IFRS 10 Consolidated Financial Statements, IFRS 12 Disclosure of Interests in Other Entities and IAS 27 Separate Financial Statements. The amendments introduce an exception for investment entities to the principle that all subsidiaries must be consolidated. The amendments define an investment entity and require an investment entity to measure subsidiaries at fair value through profit or loss in accordance with IFRS 9 Financial Instruments or IAS 39 Financial Instruments: Recognition and Measurement. The amendments also enhance disclosure requirements for investment entities. Among other things, the amendments require an investment entity to measure its investments in subsidiaries at fair value through profit or loss in situations where it presents separate financial statements. Consequential amendments were also added to provide transitional relief for first-time adopters, to exempt an investment entity from applying IFRS 3 Business Combinations to acquisitions of subsidiaries, and to exempt an investment entity from providing some disclosures about changes in ownership interests in subsidiaries in the statement of cash flows. Since the Company is not an investment entity, these amendments did not have a material impact on its consolidated statements.

IFRIC 21 Levies
This new interpretation was issued by the IASB in May 2013. It provides guidance on the accounting for levies within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets. The main features of IFRIC 21 are that the obligating event that gives rise to a liability to pay a levy is the activity that triggers payment of the levy, as identified by the legislation, and that the liability to pay a levy is recognized progressively if the obligating event occurs over a period of time. Retrospective application of these amendments had no impact on the Company's profit or loss or financial position.

IFRS 13 - Fair Value
In May 2011, the IASB issued IFRS 13 "Fair Value". This standard improves consistency and reduces complexity by providing a precise definition of fair value and a single source for measuring fair value and requirements for disclosure that apply to all IFRS .

IFRS 13 is effective for fiscal years beginning on or after January 1st, 2013, when the Company adopted this new standard. The adoption of IFRS 13 required no adjustment to the valuation techniques used by the Company to estimate the fair value and did not result in any adjustment.

4. DISCONTINUED OPERATIONS IN A GEOGRAPHICAL AREA

Given the September 2, 2014 transaction with Telus Health, the Company discontinued operations in a geographical area. In accordance with this transaction, the Company has retained its exclusive intellectual property rights of the ZRx Prescriber for the United States and the United Kingdom and Telus Health, for its part, holds the exclusive intellectual property rights of the ZRx Prescriber for Canada.

Under IFRS 5, the Company must present and provide information in order to evaluate the financial effects of discontinued operations in a geographical area.

4. DISCONTINUED OPERATIONS IN A GEOGRAPHICAL AREA (CONT.)

Net income from discontinued operations in a geographical region is presented in the consolidated statements of net and comprehensive income according to the table below. Some 2014 figures have been reclassified to make their presentation identical to that of fiscal year 2015.

The reclassification consisted of an allocation of income and expenses related to discontinued operations in a geographical area.

	2015	2014
	$	$
REVENUE	341,860	1,738,763
OPERATING EXPENSES		
Selling expenses	344,351	537,296
Administrative expenses	350,037	502,050
General operating expenses	174,343	519,707
Development cost [1]	65,318	353,042
Financial expenses	141,122	627,274
	1,075,171	2,539,369
RESULT FROM DISCONTINUED ORDINARY OPERATIONS BEFORE TAXES	(733,311)	(800,606)
Tax Recovery from discontinued ordinary operation losses	(175,898)	-
RESULT FROM DISCONTINUED ORDINARY OPERATIONS AFTER TAXES	(557,413)	(800,606)
Gain on disposal of intangible assets [2]	5,990,591	-
Taxes payable on disposal of intangible assets	(934,898)	-
NET GAIN ON DISPOSAL OF INTANGIBLE ASSETS	5,055,693	(800,606)
NET PROFIT (NET LOSS) FROM DISCONTINUED OPERATIONS IN A GEOGRAPHICAL AREA	4,498,280	(800,606)

(1) Net of tax credits for research and development of $141,193 ($230,000 as at May 31, 2014)
(2) Net of legal fees in the amount of $226,309.

5. PROVISION FOR LOSS-MAKING CONTRACTS

Provision for loss-making contracts is related to two contracts from discontinued Canadian operations in Toronto. The first contract is related losses from sublease under the lease of Markham and a second lease of a multifunction printer. These contracts generated a shortfall of $30,009 for the period, which will end August 31, 2017.

	Total
	$
Loss as at September 2, 2014	33,354
Use	(3,345)
Balance as at May 31, 2015	30,009

6. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED

Financial Instruments
In November 2013, the IASB issued IFRS 9 (2013). IFRS 9, as amended, supersedes IFRS 9 as issued by the IASB in October 2010 and November 2009.

IFRS 9 is a three-part project to replace IAS 39, Financial instruments: Recognition and Measurement. The first part addresses the classification and measurement of financial assets and financial liabilities, while the other two parts deal with impairment of financial assets and hedge accounting. The Company will have to classify financial assets as subsequently measured either at amortized cost or at fair value, based on the Company's business model for managing the financial assets and the contractual cash flows of the financial asset. Measurement at amortized cost for most of the financial liabilities is maintained, but when an entity measures a financial liability at fair value, the changes in fair value related to the entity's own credit risk must be presented in other comprehensive income rather than in profit or loss.

IFRS 9 Financial Instruments, IFRS 7 Financial Instruments: Disclosures and IAS 39 Financial Instruments: Recognition and Measurement have been revised to incorporate amendments issued by the IASB in November 2013. These amendments: (1) add to IFRS 9 requirements related to hedge accounting based on a new hedge accounting model; (2) permit an entity to apply the hedge accounting requirements in IAS 39 in place of those in IFRS 9 for fair value hedges of the interest rate exposure of a portfolio of financial assets or financial liabilities; and (3) require, as part of IFRS 7, additional disclosures about an entity's risk management strategy and the effect of hedge accounting on the financial statements.

The mandatory effective date of these amended standards was temporarily removed while making it available for early application of the 2009, 2010 or 2013 standard. The Company intends to adopt these amended standards as of their effective dates, i.e. for the annual periods beginning on or after January 1, 2018, in accordance with the tentative date set by the IASB. The Company is currently analyzing the potential effects of adopting this standard on its consolidated statements.

Clarification of Acceptable Methods of Depreciation and Amortization
IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets have been revised to incorporate amendments issued by the IASB in May 2014. The amendments to IAS 16 clarify that the use of revenue-based methods to determine the depreciation of an asset is not appropriate. The amendments to IAS 38 clarify that an amortization method based on revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. However, the amendments provide limited circumstances when a revenue-based method can be an appropriate basis for amortization. The amendments are effective for annual periods beginning on or after January 1, 2016. The Company is currently analyzing the potential effects of adopting this standard on its consolidated statements.

IFRS 15 Revenue from Contracts with Customers
In May 2014, the IASB issued IFRS 15 Revenue from Contracts with Customers, which replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfers of Assets from Customers, and SIC-31 Revenue – Barter Transactions Involving Advertising Services.

The standard provides for a single model that applies to contracts with customers as well as two revenue recognition approaches: at a point in time or over time. The proposed model features a contract-based, five-step analysis of transactions to determine whether, when and how much revenue is recognized. New thresholds have been established for estimates and judgments, which could affect the amount of revenue recognized and/or the timing of recognition.

The new standard applies to contracts with customers. It does not apply to insurance contracts, financial instruments or leases, which are within the scope of other IFRSs. The new standard is effective for the annual period beginning on January 1, 2018. The Company is currently analyzing the potential effects of adopting this standard on its consolidated statements.

6. ACCOUNTING STANDARDS ISSUED BUT NOT YET APPLIED (CONT.)

Annual Improvements to IFRSs 2010–2012 Cycle
The following standards have been revised to incorporate amendments issued by the IASB in December 2013:

- IFRS 2 Share-based Payment has been revised to clarify the definition of "vesting conditions".
- IAS 16 Property, Plant and Equipment and IAS 38 Intangible Assets have been revised to clarify the requirements for the revaluation model regarding the proportionate restatement of accumulated depreciation.
- IAS 24 Related Party Disclosures has been revised to clarify the identification and disclosure requirements for related party transactions when key management personnel services are provided by a management entity.

The amendments, which are effective for annual periods beginning on or after July 1, 2014, will apply to the Company for its annual period beginning on June 1, 2015. The Company is currently analyzing the potential effects of adopting this standard on its consolidated statements.

Annual Improvements to IFRSs 2011–2013 Cycle
The following standards have also been revised to incorporate amendments issued by the IASB in December 2013:

- IFRS 13 Fair Value Measurement has been revised to clarify that the portfolio exception applies to all contracts within the scope of IAS 39 Financial Instruments: Recognition and Measurement or IFRS 9 Financial Instruments, regardless of whether they are financial assets or financial liabilities.

The amendments, which are effective for annual periods beginning on or after July 1, 2014, will apply to the Company for its annual period beginning on June 1, 2015. The Company is currently analyzing the potential effects of adopting this standard on its consolidated statements.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS

The preparation of consolidated financial statements in accordance with IFRS often requires management to make estimates about and apply assumptions or subjective judgment to future events and other matters that affect the reported amounts of the Company’s assets, liabilities, revenue, expenses, and related disclosures. Assumptions, estimates and judgments are based on historical experience, expectations, current trends and other factors that management believes to be relevant at the time at which the Company’s consolidated financial statements are prepared. Management reviews, on a regular basis, the Company’s accounting policies, assumptions, estimates, and judgments in order to ensure that the consolidated financial statements are presented fairly and in accordance with IFRS.

Critical accounting estimates and judgments are those that have a significant risk of causing material adjustment and are often applied to matters or outcomes that are inherently uncertain and subject to change. As such, management cautions that future events often vary from forecasts and expectations and that estimates routinely require adjustment.

Management considers the following areas to be those where critical accounting policies affect the significant judgments and estimates used in the preparation of the Company’s consolidated financial statements.

Estimated useful life

Management assesses fixed assets and intangible assets in line with the assets useful life. The amount and the depreciation schedule related to fixed assets and intangible assets for a given period are affected by the estimated useful lives. The estimations are reviewed at least once a year and are updated if the useful life expectations are altered by physical wear, technical and commercial obsolescence.

7. CRITICAL ACCOUNTING ESTIMATES AND JUDGMENTS (CONT.)

Intangible assets

The values associated with identifiable intangible assets with finite useful life are determined by applying significant estimates and assumptions.

In order to determine whether the identifiable intangible assets have suffered an impairment loss after acquisition or if an intangible asset having suffered an impairment loss may recover its carrying value, management makes assessments based on estimates including, in particular, future risk-adjusted cash flows. Cash flow projections are made according to the Company's forecasts, the economic conditions and business opportunities and therefore are inherently based on judgment.

Future events could cause the assumptions utilized in impairment assessments to change, resulting in a potentially significant effect on the Company's future operating results due to increased impairment charges, or reversals thereof, or adjustments to amortization charges.

Fair value of stock options

Determining the fair value of the stock options requires judgment related to the choice of a pricing model, the estimation of stock price volatility and the expected term of the underlying instruments. Any changes in the estimates or inputs utilized to determine fair value could result in a significant impact on the Company's future operating results or other components of shareholders' equity.

Government assistance

The Company is entitled to government assistance in the form of research and development tax credits and grants. These are applied against related expenses and the cost of the asset acquired. Tax credits are available based on eligible research and development expenses consisting of direct and indirect expenditures and including a reasonable allocation of overhead expenses. Grants are subject to compliance with terms and conditions of the related agreements. Government assistance is recognized when there is reasonable assurance that the Company has met the requirements of the approved grant program or, with regard to tax credits, when there is reasonable assurance that they will be realized.

Definitions of cash generating units

The determination of cash generating units requires judgment in determining the lowest level for which there are largely independent cash inflows generated by the asset group level. This determination could have an impact on the results of impairment testing and, as appropriate, on the impairment charge recorded in the consolidated statements of net income and comprehensive income.

Contingent consideration receivable

Management assess the contingent consideration receivable based on the likelihood of the potential level of achievement of the contractual conditions to be met.

Going concern

The assessment of the Company's ability to execute its strategy by funding future working capital requirements involves judgment. The current situation indicates the existence of a material uncertainty, which may cast significant doubt upon the Company's ability to continue as a going concern. Further information regarding going concern is outlined in note 2.

8. ACCOUNTS RECEIVABLE

	2015	2014
	$	$
Contingent consideration receivable (1)	207,184	-
Accounts receivable (2)	-	38,202
Sales tax	15,294	-
Research and development tax credits (3)	109,430	630,000
Total	331,908	668,202

(1) As part of the transaction with Telus Health, the sale proceeds, according to the terms and conditions of purchase could reach the sum of $6,800,000, of which an amount of $1,300,000 was retained as contingent payments that are subject to certain performance requirements. As at May 31, 2015, the discounted balance receivable has been estimated at $207,184.

(2) No impairment was required on accounts receivable as of May 31, 2014. The Company's net book value of accounts receivable is $38,202 as at May 31, 2014.

The terms of these accounts receivable are detailed in the following table:

Breakdown of accounts receivable :	2015	2014
	$	$
0 to 30 days	-	36,977
31 to 60 days	-	431
61 to 90 days	-	201
More than 90 days	-	593
	-	38,202

(3) The exact amount will be known when Revenu Québec will process and approve the claim. Approved amount could differ from the recorded amount.

9. FIXED ASSETS

	Furniture	Computer equipment	Computer equipment for ZRx Prescriber	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2014	102,340	161,709	1,485,246	61,586	1,810,881
Acquisitions	-	2,812	-	-	2,812
Disposals	(42,854)	(77,188)	(1,485,246)	(15,105)	(1,620,393)
As at May 31, 2015	59,486	87,333	-	46,481	193,300
Accumulated amortization					
As at June 1, 2014	99,975	151,288	1,473,667	61,586	1,786,516
Amortizations	989	5,981	1,579	-	8,549
Disposals	(41,478)	(74,821)	(1,475,246)	(15,105)	(1,606,650)
As at May 31, 2015	59,486	82,448	-	46,481	188,415
Net book value as at May 31, 2015	-	4,885	-	-	4,885

9. FIXED ASSETS (CONT.)

	Furniture	Computer equipment	Computer equipment for ZRx Prescriber	Leasehold improvements	Total
	$	$	$	$	$
Cost					
As at June 1, 2013	150,792	213,487	1,551,545	61,586	1,977,410
Acquisitions	-	4,463	9,692	-	14,155
Disposals	(48,452)	(56,241)	(75,991)	-	(180,684)
As at May 31, 2014	102,340	161,709	1,485,246	61,586	1,810,881
Accumulated amortization					
As at June 1, 2013	146,929	193,455	1,484,068	61,586	1,886,038
Amortizations	1,498	13,613	64,440	-	79,551
Disposals	(48,452)	(55,780)	(74,841)	-	(179,073)
As at May 31, 2014	99,975	151,288	1,473,667	61,586	1,786,516
Net book value as at May 31, 2014	2,365	10,421	11,579	-	24,365

10. INTANGIBLE ASSETS

	Website	Software	Licenses and rights	Intellectual properties	Development costs	Total
	$	$	$	$	$	$
Cost						
As at June 1, 2014	26,200	4,322	175,000	3,417,736	3,328,347	6,951,605
Acquisitions	-	-	-	-	32,499	32,499
Disposals	(26,200)	-	-	-	-	(26,200)
As at May 31, 2015	-	4,322	175,000	3,417,736	3,360,846	6,957,904
Accumulated Amortization and Depreciation						
As at June 1, 2014	26,200	4,322	175,000	2,854,252	2,997,417	6,057,191
Amortizations	-	-	-	56,348	54,323	110,671
Disposals	(26,200)	-	-	-	-	(26,220)
Reversal of impairment loss (Note 11)	-	-	-	(669,187)	(366,432)	(1,035,619)
Impairment of assets (Note 12)	-	-	-	507,136	309,106	816,242
As at May 31, 2015	-	4,322	175,000	2,748,549	2,994,414	5,922,285
Net book value as at May 31, 2015	-	-	-	669,187	366,432	1,035,619

10. INTANGIBLE ASSETS (CONT.)

	Website	Software	Licenses and rights	Intellectual properties	Development costs	Total
	$	$	$	$	$	$
Cost						
As at June 1, 2013	26,200	4,322	175,000	3,417,736	3,084,683	6,707,941
Acquisitions	-	-	-	-	243,664	243,664
As at May 31, 2014	26,200	4,322	175,000	3,417,736	3,328,347	6,951,605
Accumulated Amortization and Depreciation						
As at June 1, 2013	26,200	4,322	175,000	1,726,912	2,368,004	4,300,438
Amortizations	-	-	-	341,773	308,322	650,095
Impairment of assets (Note 12)	-	-	-	785,567	321,090	1 106 657
As at May 31, 2014	26,200	4,322	175,000	2,854,252	2,997,416	6,057,190
Net book value as at May 31, 2014	-	-	-	563,484	330,931	894,415

11. REVERSAL OF IMPAIRMENT LOSS

Valuation method

The Company uses the present value of estimated future cash flows method to determine the value of intangible assets in use of each CGU. Since the last impairment test, the Company has not made any change in the valuation method used to determine a potential reversal of impairment of intangible assets.

As at May 31, 2015

PraxisLab pharmacy management software

The Company has demonstrated that significant market indicators, having a positive effect on the value in use and the fair value of the intangible asset PraxisLab were identified during this fiscal year and are likely to materialize in the near future. It has been demonstrated, by evidence from internal reporting, that the economic performance of the asset exceeds its net present value after a reversal of impairment. Therefore, a reversal of impairment has been recognized.

This intangible asset was depreciated during fiscal years 2014 and 2013. On May 31, 2013, the Company conducted an annual impairment test of PraxisLab and the value in use was estimated at $1,383,584. Since this value was less than its carrying value of $2,001,244, at this time, an impairment of $617,660 was recognized. As at May 31, 2014, the Company conducted a new annual impairment test of PraxisLab software, as stated in its accounting methods. The Company's management established that new circumstances led them to significantly reconsider the assumptions leading to the evaluation of the value in use of PraxisLab. The new set value being less than the carrying value of $1,106,657, an impairment for the total net value was recognized following the implementation of this impairment test.

11. REVERSAL OF IMPAIRMENT LOSS (CONT.)

The following table shows the net value of the asset PraxisLab following the reversal of impairment.

	Intellectual Property	Development Cost	Total
	$	$	$
Cost			
As at June 1, 2014	1,163,802	1,099,297	2,263,099
Acquisitions	-	-	-
As at May 31, 2015	1,163,802	1,099,297	2,263,099
Accumulated Amortization and Depreciation			
As at June 1, 2014	1,163,802	1,099,297	2,263,099
Reversal of impairment loss	(669,187)	(366,432)	(1,035,619)
As at May 31, 2015	494,615	732,865	1,227,480
Net book value as at May 31, 2015	669,187	366,432	1,035,619

12. IMPAIRMENT OF ASSETS

Valuation method

The Company uses the present value of estimated future cash flows method to determine the value in use of each CGU. Since the last impairment test, the Company has not made any change in the valuation method used to assess impairment of intangible assets.

As at May 31, 2015

ZRx Prescriber

The Company conducted an annual impairment test following the sale of the operating rights in the Canadian market of the ZRx Prescriber intangible asset, as stated in its accounting methods. The Company's management established that new circumstances led them reconsider the assumptions leading to the evaluation of the value in use of the ZRx Prescriber.

Given the sale of the Canadian market operations to Telus Health, the Corporation must establish the estimated cash flows for the United States and United Kingdom markets.

The Company concludes that, as of May 31, 2015, the progress accomplished in the implementation of its business plan for international markets does not allow it to assess the fair value of the ZRx Prescriber with estimated future cash flows. Therefore, an impairment has been recorded. However if the evidence contained in the assumptions of estimated future cash flows are likely to occur during the next fiscal year quarters, the Company will record a reversal of impairment.

12. IMPAIRMENT OF ASSETS (CONT.)

The impact on the value of the intangible asset ZRx Prescriber is as follows:

	Intellectual Properties	Development Cost	Total
	$	$	$
Cost			
As at June 1, 2014	2,253,934	2,229,050	4,482,984
Acquisitions	-	32,499	32,499
As at May 31, 2015	2,253,934	2,261,549	4,515,483
Accumulated Amortization and Depreciation			
As at June 1, 2014	1,690,450	1,898,120	3,588,571
Amortization	56,348	54,323	110,671
Impairment of assets	507,136	309,106	816,242
As at May 31, 2015	2,253,934	2,261,549	4,515,483
Net book value as at May 31, 2015	-	-	-

As at May 31, 2014

a) Intangible assets

Main assumption - Discount rate

The estimated future cash flows were discounted at a rate of 19.5% for the two cash generating units, which is the incremental borrowing rate of the Company and the most relevant, since it is an asset. It reflects the current market assessment of the time value of money and the specific risks regarding the assets.

Impairment test

PraxisLab

In November 2013, a significant event in relation with the intangible asset PraxisLab occurred. An undivided co-ownership of intellectual property was sold to a Quebec pharmacy chain.

Since this sale was not part of the estimated future cash flows of this asset, management believes that it does not affect the estimated future cash flows of PraxisLab software and, therefore, recoverable value is greater than the book value at that date. There was therefore no need to depreciate the PraxisLab in the second quarter of fiscal year 2014.

As at May 31, 2014, the Company had to revise its estimated future cash flows and perform an impairment test of PraxisLab as specified in its accounting methods. The management of the Company has found that new circumstances led them to reconsider the assumptions leading to the evaluation of the value in use of PraxisLab significantly. As of year-end, the Company held a letter of intent from Telus Health, issued May 6, 2014, regarding the acquisition of its Canadian market assets. Given the seriousness of the ongoing discussions, management has assumed that it would be realized and considered it in its estimates as at May 31, 2014.

Given that the cash-generating unit of PraxisLab laboratory management software is primarily designed for the Canadian market, the Company has assessed that the best estimate of cash flows was $Nil and, therefore, its value in use was nil. This value being less than the carrying value of $1,106,657, at that date, an asset impairment of this amount was recognized as a result of the impairment test.

12. IMPAIRMENT OF ASSETS (CONT.)

Specifically, it is an asset impairment of $785,567 for intellectual property and $321,090 for capitalized development costs, as reflected in the following table:

	Intellectual properties	Development cost	Total
	$	$	$
Cost			
As at June 1st, 2013	1,163,802	1,099,297	2,263,099
Acquisitions	-	-	-
As at May 31, 2014	1,163,802	1,099,297	2,263,099
Accumulated Amortization and Depreciation			
As at June 1st, 2013	261,855	617,660	879,515
Amortizations	116,380	160,547	276,927
Impairment of assets	785,567	321,090	1,106,657
As at May 31, 2014	1,163,802	1,099,297	2,263,099
Net book value as at May 31, 2014	-	-	-

ZRx Prescriber

As regards to the ZRx Prescriber cash-generating unit, its estimated recoverable amount according to the value in use is greater than its carrying value, as at May 31, 2014. The assumptions used in the valuation include, among others, short-term sales on the Canadian market, completing short-term sale to Telus Health and sales on the international market. The completion of the impairment test leads to the conclusion that the carrying value exceeds the recoverable amount as at May 31, 2014 and therefore no impairment was taken for the ZRx Prescriber at that date.

b) Impairment of assets of the joint venture EvEMR Inc.

The joint venture EvEMR Inc. was initially established to develop and distribute products for professionals in behavioral health providers in the US market. As at May 31, 2014, no development plan was in place and the Company estimates that the best forecast of estimated future cash flows for EvEMR inc. is nil and, therefore, its value is nil. No discount rate has to be determined, as the estimated future cash flows are nil. No marketing plan is contemplated in the foreseeable future. The recoverable amount being less than the carrying value of $3,872,144 at that date, an impairment for the entire amount of $3,872,144 was recognized in the statement of net income and comprehensive income subsequent to the completion of this impairment test, as at May 31, 2014.

The joint venture EvEMR inc. therefore proceeded to a complete depreciation of its intangible assets:

12. IMPAIRMENT OF ASSETS (CONT.)

	License	Development cost	Total
	$	$	$
Cost			
As at June 1st, 2013	3,594,103	1,436,283	5,030,386
Acquisition	-	-	-
As at May 31, 2014	3,594,103	1,436,283	5,030,386
Accumulated Amortization and Depreciation			
As at June 1st, 2013	100,483	12,320	112,803
Amortizations	933,522	111,917	1,045,439
Impairment of assets	2,560,098	1,312,046	3,872,144
As at May 31, 2014	3,594,103	1,436,283	5,030,386
Net book value as at May 31, 2014	-	-	-

c) Impairment of the interest in the joint venture EvEMR International

The joint venture EvEMR International was established to distribute products for behavioral health care professionals on the international market. More than two years after its establishment, no commercial activity has been generated. As at May 31, 2014, no concrete development plan was prepared and the potential to generate future cash flows is not sufficiently predictable to consider that the joint venture is an asset to the Company. The joint venture has no intention, in the foreseeable future, to develop a marketing strategy.

As at May 31, 2014, the Company assessed that the best forecast of estimated future cash flows for EvEMR International was nil and, therefore, its utility value was nil. This value being less than the carrying value of $39,510 at that date, an impairment for the entire amount of $39,510 was recognized in the statement of net income and comprehensive income subsequent to the completion of this impairment test, as at May 31, 2014. The impact on the value of the interest in joint venture is as follows:

	Total
	$
As at June 1st 2013	-
Interest in joint venture	39,510
Impairment	(39,510)
As at May 31, 2014	-

As at May 31, 2015, the joint ventures EvEMR Inc. and EvEMR International are not in operation.

13. INTEREST IN JOINT VENTURES

a) EvEMR Inc.

The American joint venture EvEMR Inc., based in Washington D.C., markets throughout North America an Electronic Medical Record (EMR) designed for all behavioural health providers.

On April 22, 2013, the Company signed with EvEMR Inc., an Exclusive License Agreement regarding the rights to distribute, license and sub-license the ZRx Prescriber in the United States. This agreement was terminated by the Company no later than December 30, 2014, due to many important defaults from EvEMR Inc. under the terms of this license agreement.

13. INTEREST IN JOINT VENTURES (CONT.)

The Company holds 50% of the participating shares and 50% of the voting shares in the joint venture EvEMR Inc. The joint venture's fiscal year is December 31.

The aggregate amount of current assets, non-current assets, current liabilities, non-current liabilities, products and expenses related to the participation in EvEMR Inc. are as follows:

	2015	2014
	$	$
Current assets	-	25,654
Non-current assets	-	11,097
Total assets	-	36,751
Current liabilities	-	66,874
Non-current liabilities	-	803,290
Total liabilities	-	870,164
Net assets	-	(833,413)
Proportionate share of unrealized gain on the sale of a license	-	(915,089)
Amortization of unrealized gain on the sale of a license	-	254,191
Dividends received	-	(33,418)
Proportionate share of net losses not recognized [1]	-	1,527,729
Interest in joint venture	-	-
Total revenue	-	42,651
Total expenses	-	2,818,520
Net Results	-	(2,775,869)
Amortization of unrealized gain on the sale of a license	-	228,772
Proportionate share of net losses not recognized [1]	-	1,527,729
Proportionate share of net result in the joint venture	-	(1,019,368)

[1] The 50% interest in EvEMR Inc. is nil as at May 31, 2015 and as at May 31, 2014. The Company did not recognized additional proportionate share of net losses beyond its participation, to the extent that it has no obligation to cover these losses.

b) EvEMR International

Since October 23, 2012, the Company holds 50% of the equity shares and 50% of the voting shares in EvEMR International joint venture, which was established to distribute products designed for all behavioral health providers throughout the world. The joint venture fiscal year is December 31. The aggregate amount of current assets, non-current assets, current liabilities, non-current liabilities, products and expenses related to the participation in EvEMR International are as follows:

13. INTEREST IN JOINT VENTURES (CONT.)

	2015	2014
	$	$
Current assets	-	65,301
Non-current assets	-	341,725
Total assets	-	407,026
Current liabilities	-	6,301
Non-current liabilities	-	361,215
Total Liabilities	-	367,516
Net assets	-	39,510
Impairment[1]	-	(39,510)
Interest in joint venture	-	-
Total revenue	-	53,768
Total expenses	-	14,258
Net results	-	39,510
Proportionate share of net result in the joint venture	-	39,510

[1] For the fiscal year ended May 31, 2014, the Company performed an annual impairment test. The result of this test was not conclusive and an impairment for the entire investment was recognized.

14. ACCOUNTS PAYABLE

	2015	2014
	$	$
Accounts payable and accrued liabilities	201,174	752,442
Wages and tax deductions	204,483	304,601
Sales tax	-	216,868
Provision for services to be provided	106,980	-
Total	512,637	1,273,911

[1] The provision for services to be provided is related to the obligation of the Company to allocate human resources for a period of 18 months, to support Telus Health as part of the transaction that was completed on September 2, 2014. This 18-month period will end March 2, 2016.

15. NON-CONVERTIBLE DEBENTURE

On October 30, 2013, the Company issued a secured debenture with a nominal value of US $1,664,319 and a premium to the lender of 4,607,795 common shares of the share capital of the Company. The debenture bears interest at a nominal rate of 17% per year. It is repayable in monthly capital installments of US $60,000 plus interest, from January 31, 2014 and matures in December 2014. The debenture is redeemable prior to maturity, in whole or in part, by the Company after a two days' notice to the lender. The debenture is secured by a movable hypothec charging the universality of the Corporation's present and after-acquired movable property, corporeal and incorporeal.

15. NON-CONVERTIBLE DEBENTURE (CONT.)

The net proceeds from the issuance of the non-convertible debenture has been separated into a liability component and an equity component representing the residual amount attributable to the premium to the lender, as shown in the following table:

	$
Proceeds from issuance	1,712,085
Fair value of the liability component, at the date of issue, for a similar instrument that does not have a premium to the lender as an equity component	(1,666,207)
Fair value of the equity component	45,878

The liability component of $1,666,207 is measured at amortized cost, using the effective interest method, of 19.5%. The equity component of $45,878 is recorded in the capital component as equity component of non-convertible debenture and led to the issuance of 4,607,795 common shares, as at January 16, 2014.

The difference between the carrying value of the liability component, at the date of issuance, of $1,666,207 and the amount reported in the consolidated statement of financial position, as at May 31, 2014, of $1,783,457, represents the effective interest rate less interest due, plus the exchange rate difference once the debenture is converted at that date. The interest charge on this loan is calculated by applying an effective interest rate of 19.5%. The liability component is measured at amortized cost.

On September 3, 2014, the Company repaid the existing non-convertible debenture for a principal amount and interest totaling $2,134,866. The Company has obtained full, final and definitive release from the creditor.

16. SHORT-TERM DEBT

On October 31, 2013, the Company entered into a research and development tax credits financing offer with Investissement Québec.

As at May 31, 2014, the funding for $377,856 is allocated as follows: an amount of $308,520 for the 2013 fiscal year and $69,336 for the fiscal year ending May 31, 2014.

The loan bears interest at prime rate plus 3%, for the disbursed portions, and is secured by a first-ranking movable hypothec in the amount of $395,190 and an additional hypothec of $79,038 for a total of $474,338.

The amount of $308,520 was paid in full, on receipt of the tax credit, in June 2014, amounted to $417,723 for the fiscal year ended May 31, 2013 and the amount of $69,336 was paid in full, on receipt of the tax credit, in February 2015, amounted to $316,315 for the fiscal year ended May 31, 2014.

17. INFORMATION ON OPERATING EXPENSES

	2015	2014
	$	$
a) Selling expenses :		
Selling expenses	22,563	53,742
Salaries and benefits	111,501	78,897
Amortization of tangible assets	1,708	2,513
	135,772	135,152

17. INFORMATION ON OPERATING EXPENSES (CONT.)

	2015	2014
	$	$
b) Administrative expenses :		
Administrative expenses	433,384	357,567
Stock-based compensation	66,880	-
Salaries and benefits	517,500	284,660
Amortization of tangible assets	1,846	5,857
	1,019,610	648,083
c) General operating expenses :		
Operating expenses	1,784	24,194
Salaries and benefits	201,954	74,828
Amortization of tangible assets	1,708	2,513
	205,446	101,535
d) Development cost :		
Development cost	39,305	29,042
Salaries and benefits	236,489	636,375
Research and development tax credits	(44,790)	-
Amortization of tangible assets	1,708	2,513
Amortization of intangible assets	110,671	650,096
	343,383	1,318,026
e) Financial expenses :		
Interest and bank charges	9,178	5,436
Exchange rate variation	(685)	65
	8,493	5,501
f) Impairment (Reversal of impairment loss):		
Development costs – ZRx Prescriber	309,106	-
Intellectual properties – ZRx Prescriber	507,136	-
Development costs – PraxisLab	(366,432)	321,090
Intellectual properties – PraxisLab	(669,187)	785,567
Interest in joint ventures	-	39,510
	(219,377)	1,146,167

18. CONTRACTUAL COMMITMENTS

As at May 31, 2015, the balance of commitments under leaseholds and operating leases amounts to $1,231,808.

Minimum lease payments for each of the next five years are as follows:

	2016	2017	2018	2019	2020	Following years
	$	$	$	$	$	$
Leasehold – Head Office	136,477	114,713	114,713	114,713	114,713	573,563
Multi-function printers	10,486	10,486	10,486	10,486	10,486	10,486
	146,963	125,199	125,199	125,199	125,199	584,049

19. SHARE CAPITAL

a) Authorized

An unlimited number of voting and participating common shares without par value.

b) Declared

	2015	2014
	$	$
135,591,268 common shares as at May 31, 2015 and May 31, 2014	25,509,437	25,509,437

c) Transaction during 2015

No transaction occurred during the fiscal year ended May 31, 2015.

d) Transactions during 2014

On November 12, 2013, the Company issued 508,786 common shares at a deemed price of $0.05 each as compensation for due diligence services for a total value of $25,439.

On January 16, 2014, the Company issued as a bonus of 4,607,795 common shares in the capital of the Company to the lender. This equity component of the non-convertible debenture is valued at $45,878.

e) Share capital reconciliation

	Number	Declared
		$
Balance as at June 1st, 2013	130,474,687	25,438,120
Issuance of shares as compensation for services	508,786	25,439
Issuance of shares as a bonus to a lender	4,607,795	45,878
Balance as at May 31, 2014	135,591,268	25,509,437
	-	-
Balance as at May 31, 2015	135,591,268	25,509,437

20. STOCK OPTION PLAN

The shareholders of the Company adopted a resolution approving the “rolling” stock option plan of 10% at the annual and special meeting of shareholders held November 28, 2014. Under the plan terms, the exercise price of the options will be determined by the Directors of the Company subject to other restrictions described in the plan and some requirements of the TSX Venture Exchange. The maximum period for which an option can be exercise is limited to five years and the exercise price must be paid in full before the issuance of the shares.

20. STOCK OPTION PLAN (CONT.)

The following table summarizes the changes in the plan position for the fiscal year ended May 31, 2015 and May 31, 2014:

	Options	Average exercise price
		$
Balance as at June 1, 2013	12,837,500	0.15
Cancelled	(4,745,000)	0.17
Balance as at May 31, 2014	8,092,500	0.14
Awarded	7,600,000	0.05
Cancelled	(2,312,500)	0.15
Balance as at May 31, 2015	13,380,000	0.09

The following table summarizes the information about the outstanding stock options for years ended May 31, 2015 and May 31, 2014:

a) As at May 31, 2015

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		$	$		$
1,435,000	7	0.20	0.12	1,435,000	0.20
1,845,000	18	0.15	0.05	1,845,000	0.15
2,500,000	26	0.10	0.04	2,500,000	0.10
7,600,000	56	0.05	0.01	7,600,000	0.05
13,380,000	40	0.09	0.03	13,380,000	0.09

Transaction during fiscal year ended May 31, 2015

In January 2015, the Company granted 7,600,000 stock options, which entitle the holders to purchase 7,600,000 common shares at an exercise price of $0.05 per share for a period of five years.

The fair value of the stock options awarded during fiscal year ended May 31, 2015 was estimated on the grant date using the Black-Scholes' options pricing model with the following assumptions:

Date	January 19, 2015
Quantity	7,600,000
Stock price	$0.01
Dividend yield	Nil
Expected volatility	171%
Risk-free interest rate	1.07%
Expected life	60 months

The stock-based compensation expense amounts to $66,880 for the fiscal year ended May 31, 2015.

20. STOCK OPTION PLAN (CONT.)

b) As at May 31, 2014

Outstanding options				Exercisable options	
Number	Weighted average remaining contractual life (months)	Weighted average exercise price	Weighted average fair value	Number	Weighted average exercise price
		$	$		$
100,000	3	0.32	0.14	100,000	0.32
1,915,000	19	0.20	0.12	1,915,000	0.20
17,500	19	0.20	0.12	17,500	0.20
2,865,000	30	0.15	0.05	2,865,000	0.15
3,195,000	38	0.10	0.04	3,195,000	0.10
8,092,500	30	0.14	0.06	8,092,500	0.14

Transaction during fiscal year ended May 31, 2014

No transactions occurred during the fiscal year ended May 31, 2014.

21. WARRANTS

The following table summarizes the changes in the plan position for the fiscal year ended May 31, 2015 and May 31, 2014.

	Warrants	Weighted average Exercise price	Value
		$	$
Balance as at June 1, 2013	10,000,000	0.15	-
Warrants expired	(10,000,000)	0.15	-
Balance as at May 31, 2014	-	-	-
Balance as at May 31, 2015	-	-	-

a) Transaction during fiscal year ended May 31, 2015

No transaction occurred during the fiscal year ended May 31, 2015.

b) Transaction during fiscal year ended May 31, 2014

On September 30, 2013, 10,000,000 common shares purchase warrants, associated with the convertible debenture, with an exercise price of $0.15 each, have expired. These warrants were cancelled.

22. FAIR VALUE OF FINANCIAL INSTRUMENTS

	May 31, 2015		May 31, 2014	
	Fair value	Carrying value	Fair value	Carrying value
	$	$	$	$
Financial assets				
Cash and cash equivalents	574,273	574,273	159,921	159,921
Loans receivables	207,184	207,184	38,202	38,202
Financial liabilities				
Other liabilities	84,693	84,693	286,187	286,187
Short-term debt	-	-	377,856	377,856
Non-convertible debenture	-	-	1,783,457	1,783,457

The fair value of cash and cash equivalents, loans receivables and other liabilities approximates their carrying value, because of the relatively short maturity of these instruments.

The Company categorizes its financial assets and liabilities measured at fair value using a hierarchy that consists of three levels, which reflects the significance of inputs used in their evaluation. The hierarchy of the fair value consists of the following levels:

Level 1 - Unadjusted quoted prices in active markets for identical assets or liabilities. An active market for an asset or liability is a market in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.

Level 2 - Observable inputs other than quoted prices included in Level 1, such as quoted prices for similar assets or liabilities, quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 - Inputs that are supported by little or no market activities and that are significant to the fair value of assets or liabilities.

As at May 31, 2015 and May 31, 2014, the only financial instruments measured at fair value in the consolidated statements of financial position consist of cash and cash equivalents and were all classified in level 1.

23. RISK AND UNCERTAINTIES

The Company, through its financial instruments, is exposed to various risks without being exposed to risk concentrations. The Company is primarily exposed to credit risk, interest rate risk, market risk, liquidity risk and key personnel risk.

a) Risks associated with financial instruments

Credit risk

Credit risk is the risk of financial loss for the Company, if a debtor does not meet its obligation. This risk arises mainly from the credit the Company grants its customers in the normal course of its activities.

Credit evaluations are performed continuously and the consolidated statements of financial position reflect a provision for doubtful debts. No qualitative assessment has been made, management has assessed the credit risk was not significant.

23. RISK MANAGEMENT OF FINANCIAL INSTRUMENTS (CONT.)

Currency risk

The currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rate. In the normal course of its operations, the Company is exposed to the risk of variations in the exchange rate of the U.S. dollar.

As at May 31, 2015, the Company has the following balances in converted U.S. dollars: cash: $59 ($88 as at May 31, 2014). No sensitivity analysis was performed due to the immateriality of the balances denominated in foreign currency.

Interest rate risk

The interest rate risk exists in times of fluctuating rates and when differences are expected in the cash flow matching of assets and liabilities.

The Company has no debt bearing interest at variable rates. In addition, it invests part of its liquidity in guaranteed interest rate financial instruments. These financial instruments represent a minimal risk for the Company.

Liquidity risk

Liquidity risk is the risk that the Company will encounter difficulty in meeting obligations associated with financial liabilities. The Company is exposed to this risk mainly regarding its creditors, its non-convertible debenture and its short-term debt.

In order to meet additional capital requirements, the Company may consider collaborative arrangements and additional public or private financing to fund all or a part of particular product development programs. Private financing could include the incurrence of debt and the issuance of additional equity securities, which could result in dilution to shareholders. There can be no assurance that additional funding will be available. The Company manages this risk by establishing detailed cash forecasts, as well as long-term operating and strategic plans. According to these forecasts, most of its cash flows for operating activities will be generated by operating the ZRx Prescriber in the American market and the sale of PraxisLab intellectual property.

b) Other risks

Market risk

The future performance of the Company is dependent on the continued popularity of its existing products and its ability to develop and introduce products that gain acceptance and satisfy consumer preferences in targeted markets. The popularity of any of its products may decline over time as consumer preferences change or as new competing products are introduced in targeted markets. The development of new systems and their distribution within the targeted market, require significant investments.

Performances linked to the realization of contingent consideration receivable may vary depending on consumer preference changes.

Key personnel risk

Recruiting and retaining qualified personnel is essential to the Company’s success. The Company believe that it has been successful in recruiting excellent personnel to help meet its objectives but, as its activities grow, it is possible that additional key personnel in departments like administration, research and development, as well as marketing will be required. Although the Company believes that it will be successful in attracting qualified personnel, there can be no assurance to that effect.

24. CAPITAL DISCLOSURES

In regards to capital management, the Company's objective, from the beginning of its operations, is the continuity of its operations in order to carry on with the development and marketing of the ZRx Prescriber, PraxisLab and ZoomMed's communication network, the protection of its assets, while maximizing the shareholders return on investment. The Company is not subject to any externally imposed capital requirements. The Company has several options regarding its capital needs. See Note 23 for more details.

The Company defines its capital as the sum of its shareholders equity. The shareholders equity of $1,423,241 as at May 31, 2015 and ($2,407,542) as at May 31, 2014, includes share capital, contributed surplus and deficit. The capital increase of $3,820,783 during the fiscal year ended May 31, 2015 was due primarily to the net profit from discontinued operations in a geographical area and the reversal of impairment of PraxisLab intangible asset.

25. INCOME TAXES

The provision for income taxes differs from tax amount computed using the statutory tax rate for the following reasons:

	2015 $	2014 $
Income taxes at the effective rate of 26.90%	(401,718)	(1,246,796)
Tax effects of non-deductible expenses	22,263	7,123
Losses not taken into account for tax purposes	(38,354)	571,900
Unrecognized tax benefits from operating losses carried forward unrecognized	-	341,038
Origination and reversal of unrecognized temporary differences	68,806	326,735
Benefit from the use of losses from previous years	(409,997)	-
Total	759,000	-

Deferred income taxes are as follows:

	2015 $	2014 $
Deferred income tax assets		
Losses carried forwards	4,916,147	5,217,195
Deferred financing costs	27,198	63,376
Excess of amortization for accounting purposes over capital cost allowance	914,096	952,183
Capitalized development costs	933,291	834,295
	6,790,732	7,067,049
Deferred income tax liabilities		
Intellectual property	180,011	113,683
Deferred income tax liabilities recognized	180,011	113,683
Net deferred income tax assets	6,610,721	6,953,366
Less: Valuation allowance	6,610,721	6,953,366
Deferred income tax assets recognized	-	-

Furthermore the Company has unused tax credits totalling $1,094,553 ($800,118 net of taxes) as at May 31, 2015, $1,019,466 as at May 31, 2014 ($745,230 net of taxes).

Tax losses carried forward as at May 31, 2015, amount to $18,490,000 at the Federal level, $18,005,434 at the Provincial level.

25. INCOME TAXES (CONT.)

Tax losses will expire as follows:

Year	Federal	Provincial Quebec
	$	$
2027	171,607	167,803
2028	1,402,478	1,112,816
2029	4,634,592	4,549,931
2030	3,695,314	3,662,997
2031	3,044,565	3,019,425
2032	2,755,300	2,732,955
2033	736,834	736,835
2034	1,631,080	1,604,442
2035	418,230	418,230
	18,490,000	18,005,434

26. RELATED PARTY TRANSACTIONS

Key management compensation

Key management is those persons having authority and responsibility for planning, managing and controlling the Company's activities, including the Directors and Executives. Key management participates to the stock option plan.

For the fiscal year ended May 31, 2015, the key management compensation amounted to $541,346, sum of $76,981 paid as a bonus and an adjustment of $94,690 following the closing of the transaction with Telus Health on September 2, 2014. For the same period, ended May 31, 2014, key management basic compensation was $358,000.

Moreover, on January 19, 2015, 4,900,000 stock options, at an exercise price of $0.05 for a period of 5 years, were granted to key management and non-executive director, representing a stock-based compensation cost of $43,120.

Related party transactions

A director of the Company is a partner in a law firm that acted as legal advisor to the Company. During the fiscal year ended May 31, 2015, an amount of $249,405 ($54,248 for the fiscal year ended May 31, 2014) was paid to the law firm, of which $43,968 are included in the accounts payable and the accrued liabilities as at May 31, 2015 ($57,006 as at May 31, 2014).

A director of the Company received a compensation of $10,000 as a premium for services rendered.

Accounts payable and accrued liabilities also include an amount of $5,213 ($15,493 as at May 31, 2014) payable to the directors, without repayment terms or interest.

During the fiscal year ended May 31, 2014, the Company received, from a joint venture, a dividend totaling $33,418.

Related party transactions terms and conditions

The balances, as at the end of the period, are not guaranteed and bear no interest, as it is a cash settlement. No guaranties were given or received regarding receivables or payables between the related parties. For the fiscal year ended May 31, 2015 and 2014, the Company did not record any depreciation as regards to outstanding related party receivables. An assessment is performed at each financial period, by examining the related party financial statements and the market in which the related party operates.

26. RELATED PARTY TRANSACTIONS (CONT.)

These transactions were made on equivalent terms to those prevailing in the case of transactions subject to normal market conditions.

27. COMPARATIVE FIGURES

Some 2014 figures have been reclassified to make their presentation identical to that of fiscal year 2015. The reclassification consisted of an allocation of income and expenses related to discontinued operations in a geographical area, as detailed in note 4.

28. SUBSEQUENT EVENTS AFTER CLOSING DATE

Long-term loan

Given that the Company will move its head office in December 2015, the Company entered, on July 14, 2015, into a financing offer, regarding leasehold improvements and acquisition of office equipment in the amount of $170,000, with Investissement Québec. The loan disbursement will be made by the end of November 2015, once the leasehold improvements are completed. The loan will bear interest at prime rate plus 2.5% per annum. The loan term is thirty-six months and provides a capital-moratorium of six months after the disbursement of the loan. Under the terms of the new lease, an allowance for leasehold improvements, in the amount of $86 250, will be reimbursed by the new property owner over a period of 10 years.